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TAGS: [ECON](#) [ENRG](#) [IZ](#) [PREL](#) [TU](#)
SUBJECT: MEETING WITH KRG NEGOTIATOR ROWSCH REGARDING
REVENUE MANAGEMENT LAW

Classified By: AMBASSADOR RYAN C. CROCKER FOR REASONS 1.4 (b) and (d).

1. (C) SUMMARY: On June 11, Ambassador Crocker and Deputy Chief of Mission Speckhard met with Dr. Rowsch Shaways, the lead KRG negotiator in the effort to prepare a Revenue Management law that the Council of Ministers can submit to the Council of Representatives. Dr. Shaways delivered copies of a draft of the law prepared by the GOI and a KRG draft of the law to be delivered to the GOI for consideration. He represented his impression that the KRG and GOI had reached agreement on the broad principles but that final language had yet to be agreed upon. Other topics of conversation included security concerns in the KRG and the impact of recent confrontations involving Turkish forces and members of the PKK. END SUMMARY.

REVENUE MANAGEMENT LAW

2. (C) Dr. Shaways said that during the last round of negotiations with representatives of the GOI that he and Vice President Adil Abd al-Mahdi had agreed upon the KRG proposal on the disposition of revenue surpluses, but that he was waiting to hear definitively from the Vice President on this issue.

3. (C) Dr. Shaways noted KRG's concern regarding the handling of surplus revenues, with the definition of "special projects" referred to in the current GOI draft as a problem. He suggested that while such projects could be beneficial to the country of Iraq, he did not want the GOI to spend so much money on these projects that it would needlessly diminish the share of federal revenues to which the KRG and the governorates would otherwise be entitled.

4. (C) Dr. Shaways identified potential concerns regarding the "internal account" referred to in the GOI draft as unimportant, but that a companion provision regarding the facilitation by the Central Bank of Iraq (CBI) was important. The KRG, he said wants the CBI to be able to facilitate the establishment of a KRG account outside of Iraq. He also stated that, while the KRG could agree to return to the GOI surplus funds at the end of the year, it was very important that the KRG play a role in how those surplus revenues would be spent. Dr. Shaways stated that he had requested a meeting with Vice President al-Mahdi to discuss the draft laws.

5. (C) The Ambassador noted that it was important to the KRG, the GOI and to the USG that an agreement be reached soon in light of the July 15 and September USG reporting deadlines, and that reaching agreement on a draft of the Revenue Management law was the best chance of demonstrating progress. The Ambassador noted that this was understood by the KRG Prime Minister and that both the KRG and the USG needed to see agreement on the draft law in order for the USG to continue its support of the GOI and KRG. (Note: Vice President al-Mahdi, Advisor to the Prime Minister Dr. Thamir

Ghadban, and Dr. Shaways met with Deputy Chief of Mission Speckhard on June 12 to address the above issues and prepare a compromise draft Revenue Management law. The parties appeared to agree on all issues and text with the exception of a clause regarding federal expenditures for strategic or national projects for the benefit of Iraq. The compromise draft was being circulated to all parties for review. End Note.)

¶6. (C) The Ambassador noted that the Kurds and the Shia must not be perceived as uniting against the Sunnis and that the Sunnis must play an important role in the government.

TURKISH BORDER ISSUE

¶7. (C) Dr. Shaways was asked if the KRG commercial relationship with Turkey had been damaged by the recent activities of the Turkish army. He replied that while the commercial relationship with Turkey had not been impacted, the people of the KRG were naturally afraid of Turkish army activities. The Ambassador asked if the KRG could do anything to curtail the cross-boarder movements of units of the Kurdistan Workers Party (PKK). Dr. Shaways replied that the PKK was being supplied by Iran and that there were too few KRG troops to effectively manage PKK movements across the boarder with Turkey. The Ambassador noted that it was very important to show determination to work against PKK activities in advance of the impending elections in Turkey. He noted that there was significant pressure in Turkey for military action in response to PKK activities. Dr. Shaways noted that Kurdish Region Prime Minister Nechirvan Barzani was scheduled to meet with a representative of the Turkish Parliament to discuss these issues on June 20 and 21.

CROCKER